

Appendix D



MEMO

DATE: January 26, 1999
TO: State Aviation Directors
FROM: Lori Lehnerd
RE: Air Service Assistance Survey and MOU Initiative

Enclosed for your information is a copy of the comprehensive results of the *Air Service Assistance Survey* conducted by Harry Miller, Iowa statewide aviation manager. Also enclosed for your use is a model agreement, which was developed under an initiative in the current NASAO/FAA Memorandum of Understanding, for use by your state and the local FAA Flight Standards District Office. Please call me if you have any questions.

Enclosures

AIR SERVICE ASSISTANCE SURVEY

January 1999

This survey was accomplished to determine which states provide any sort of funding for air service programs, and more specifically provide subsidies for interstate airlines. The intent was to get a total number of states that offer this funding and more details about the type of funding offered. States were asked to respond "yes" (state does have a program) or "no" (state does not have a program) and for states which do have a program, please provide a short paragraph describing it.

Alabama (John Eagerton)

Alabama does not subsidize interstate airlines.

Alaska (Paul Bowers)

The state of Alaska does not provide any DIRECT subsidy to any air carrier operation, inter or intra-state. However, because the state DOT owns &/or operates 261 of the 285 publicly owned/operated airports in AK, and it operates most of them at a deficit made up by general funds, it could be argued the state does indirectly subsidize ALL carriers using our rural airport system. General funds cover approximately half the operating costs of multiple state operated small community airfields.

This may sound extraordinary, but please appreciate that, geographically, approximately 90% of Alaska is NOT accessible from the road system, so many folks contend our system of small community rural airports really is our "road system", which, like other states, is operated at a deficit by the state. Also, AK is a relatively large area, consisting of land mass over twice the size of Texas; Alaska comprises over 16% of the total U.S. land mass. As you might expect, the carriers think this situation is just fine, thank you. And the public as a whole doesn't have real heartburn with the status quo either, as 85% of the state general fund budget is funded thru oil revenues, with NO state income or sales taxes. Does make for an interesting self flagellation exercise to try to increase rural airport revenues tho.

Arizona (Gary Adams)

We provide nothing.

Arkansas (John Knight)

Arkansas does not provide any subsidies for air service.

California (Mike Farmer)

The State of California does not provide subsidies to any airlines (international, interstate, or intrastate). All of our funding comes from state taxes on general aviation fuel; so, we try to limit our grant programs to projects/activities that are directly related to GA.

We used to assist the federal DOT in administering the EAS program, but we now have only a very minor role. (Only two communities in California currently receive EAS subsidies).

Colorado (Travis Vallin)

Colorado does not subsidize airlines but what did come from the subsidy question was a bill that will be introduced this year that will provide funding for safety and security projects as well as remote weather reporting stations (ASOS/AWOS) at mountain passes used by intrastate airlines and general aviation pilots to transverse the state. Commercial service airports (except DIA and Colorado Springs) would be eligible to submit projects to the Colorado Aeronautical Board and compete for these funds if the bill is successful (estimated \$1-3 million annual appropriation from the legislature over the next 5 years). The airline subsidy discussion was rather short when it was difficult to find anyone (other states, airlines, local communities and the Colorado Governor) who thought it would actually help. The comment United Airlines made in front of a seven member legislative committee to look at improving air service in Colorado was that it was money down a rat hole, once the subsidy ran out, the increased service would in all likelihood return to the original level. That pretty much killed it before it had a chance to be discussed.

Connecticut (Robert F. Juliano)

The state of Connecticut does not provide subsidies for interstate airlines.

Delaware (Tony Amato)

Delaware does not provide any subsidies for air service.

Florida - No Response

Georgia (Ed Ratigan)

Georgia does not provide subsidies for airlines. We have no funding for air service programs. We can participate in air service studies to evaluate a community's service and make recommendations on improving service.

Hawaii (Jerry Matsuda)

Hawaii does not subsidize any air carrier operations in our state.

Idaho (Bart Welsh)

We do not have any program to subsidize the airlines for short or long distance service. The small towns would like very much to have increased service but do not have any thoughts of paying for it. We did have an air service summit meeting a few months ago and talked about options with representatives from the airline industry. Lots of talk about what might be but most people were very realistic about what could or could not be done. Our efforts are now focused on preserving the air service we now have.

Illinois (Bill Blake)

Illinois has no such programs.

Indiana (Maria Muia)

Indiana does not provide state subsidies for air service nor do we have any other air service programs.

Iowa (Harry Miller)

Iowa does not provide direct subsidies to either interstate or intrastate airlines. Iowa does have a Commercial Air Service Marketing Program (initiated in fiscal year 1993) which provides matching funds to assist the state's ten commercial air service airports implement public awareness programs aimed at enhancing air service. The department programmed \$300,000 for commercial air service marketing in fiscal year 1999. The Iowa Legislature also appropriated \$945,000 in fiscal year 1999 as a new initiative to provide funds for commercial service airports to improve vertical infrastructure (including terminal buildings, hangars, etc). No local match is required for these funds and they are distributed based on a combination of 1/10 share and an enplanement formula.

Kansas (Michael Armour)

Kansas provides no funding for subsidies or other air service programs.

Kentucky - No Response

Louisiana (Tony Culp)

Louisiana does not subsidize any interstate or intrastate air carriers. We do have a group of air carrier airports trying to get sponsor cities to subsidize intrastate service but the state is not participating.

Maine (Ron Roy)

Maine does not provide subsidy to any air carriers. The only accommodations that we make are an exemption from State taxes on jet fuel on international flights, and the airports grant program for capital improvements.

Maryland (Bruce Mundie)

"No". Maryland has no program to fund or subsidize air service.

Massachusetts (Steve Muench)

Massachusetts does not subsidize interstate airlines.

Michigan (Pauline Misjak)

No, Michigan does not provide such subsidy. I am, however, providing a brief summary of our Air Service Program.

Michigan's Air Service Program

Since 1987, the Air Service Program has helped to stabilize and expand commercial air service in Michigan by undertaking activities aimed at promoting increased utilization of air service at local airports. Today's program recognizes quality air services are an essential element of a community's infrastructure to induce community economic expansion. While there are continuing coordinated state and local efforts to promote air services as a mechanism towards maintaining and improving those services, the program emphasizes implementing aviation projects that encourage and support economic growth. There are three categories of projects that may be undertaken at eligible air carrier airports.

Capital Improvement & Equipment projects improve airport facilities for passenger acceptance and airport operations to support air service and economic development. The program allows airports another funding mechanism for projects currently not undertaken through other existing federal and state improvement programs due to fund limitations and program guidelines. Examples of projects included terminal improvements and security equipment.

Carrier Recruitment & Retention projects involve studies helping to identify and document community air service needs, and if warranted, state and local commitments to share financial risks in order to preserve or increase scheduled air services.

Airport Awareness projects promote increased public awareness of services and facilities and focus upon increased involvement with community organizations and local businesses to develop a better understanding of the airport's role in supporting economic growth and job retention. Only air carrier airports enplaning (boarding) no more than 150,000 passengers annually are eligible for Airport Awareness assistance.

The Air Service Program has been credited with increasing passengers statewide and has received regional and national recognition for its innovative methods of improving Michigan's air service system.

Minnesota (Lyle Mehrkens)

Minnesota does have an air service program, although we do not subsidize the air carriers.

Our program consists of:

1. Agency developed advertising (radio ads, tv ads and printed material) designed to be used locally.
2. A grant program that matches money spend by Municipalities and Airport Boards to advertise their local airline service and promote their airports.

3. Grants to do planning and recruiting of airlines where service has been lost or new service is desired.

4. Statewide radio ads to promote local airports and local scheduled passenger service 100% state paid.

5. Studies and planning to benefit local service.

Legislature authorized \$400,000 to be available for the biennium from the State Airport Fund.

Mississippi (Jay Elton)

The State of Mississippi does NOT make any subsidies.

Missouri (Brian Weiler)

Missouri does not subsidize air service in any way.

Montana (Debbie Alke)

The Montana Aeronautics Division does not provide any type of funding for air service.

Nebraska (Kim Stevens)

We don't subsidize air service. We do invest department hours attending meetings with air service groups. We might write letters or organize meetings on air service. We did do and pay for an air service study a number of years ago.

Nevada (Vic Redding)

We do not have any subsidy programs for airlines or other air service programs.

New Hampshire (Jack Ferns)

Our state does not ("no") have a program to fund air service.

New Jersey (Emmett O'Hare)

New Jersey does not fund air service operations in any way. New Jersey has, in the past, assisted in the preparation of air service studies. At present, we have no such planning projects on the horizon.

New Mexico (Mike Rice)

We do not have an air service funding program in New Mexico, but we have pending legislation to start such a program.

New York (Rick Chimera)

NY state does not provide subsidy for airline operations; although the issue is starting to be discussed in the State. The State Assoc. of airports has proposed legislation that would allow state \$ to be used for temporary subsidy for lower or no landing fees, subsidize ground support and possibly direct subsidy. Recently we have provided

CASP funding & State match to regional groups of airports that wanted to work together to do an air service study.

North Carolina (Ted Alman)

North Carolina does not provide any state subsidy for interstate airlines. In addition, we do not provide funds for air service programs or initiatives.

North Dakota (Mark Holzer)

North Dakota does not have subsidy for air service.

The North Dakota aeronautic Commission does spend a lot of staff time, federal planning grants, educational materials, and marketing materials to enhance and sustain air service.

Examples of efforts are:

Use federal planning grants every 5-6 years for state air service study that has computer programs to do route analysis economics.

Purchase and distribute passenger boardings and destination reports to 8 air service cities.

Communicate with airport and airline management of service improvement with Governor and Congressional support. I believe this to be most important to establish a communication network to facilitate changes.

We develop or assist in producing marketing programs with airlines and airports.

Fly North Dakota
Chamber Flyer

EAS carrier selection and case reviews. Hold community carrier selection process.

Coordinated in-state service with University of North Dakota with China air pilots flying Great Lakes.

We do not have a dedicated budget for air service other than federal grants. However, it may take 20% - 50% of staff time, depending on airline changes or issues of the day. Federal grants range from \$60 - 100,000 for air service update plans.

Ohio (Rudy Rudolph)

Ohio has no state subsidiaries or programs.

Oklahoma (Terry Jesup)

No, we do not provide any subsidies for air service

Oregon (Marilyn Lorange)

We don't provide any type of ongoing assistance. The closest we came was in funding a couple of small feasibility studies, the latest in 1995. Our policy advisory committee has listed this topic as one of three for discussion with the ODOT Director in the near future. We all believe it needs to be looked at, and a possible state role explored, within current funding constraints.

Pennsylvania (Kathy Reitz)

The Pennsylvania Department of Transportation does not have a program to provide funding for air service programs.

Rhode Island (Mark Brewer)

Rhode Island has no such subsidy program.

South Carolina (John Floyd)

South Carolina does not subsidize interstate airlines.

South Dakota - No Response

Tennessee (Fred Vogt)

We do not give funding to any airline or any other private entity. The closest we have is individual funding to air carrier airports that they could in turn use for the airlines in some capacity. I do not have any recent examples of that. We could also argue over that particular use and likely would not fund the project.

Texas (Bob Woods)

"No", the state of Texas does not have any air service programs or subsidies. We are, however, participating in a 90%-10% federal-local grant for an Air Service study for Texas. About 25 communities from Texas and New Mexico are participating.

Utah (Bob Barrett)

No, we do not provide any funding directly related to air service.

Vermont (Robert McMullin)

Vermont does not have a program, per se. However, a couple of years ago the legislature did give us \$75,000 to provide a one-time, three month subsidy to a new commuter airline during a difficult start-up period. (The airline is still serving that city, so maybe it worked!)

We try to promote improvement to Vermont's air service whenever possible, including actively pursuing new service through direct contracts with airlines and working with airport management and our State Economic Development and Tourism offices - however, the \$75,000 mentioned above is the only direct payment we have ever been able to offer an airline.

Virginia (Ken Wiegand)

No. Clarification State policy - we do not subsidize private companies of any kind for obvious reasons, however, communities can do it. After all, it's their economic development responsibility with educational and some marketing assistance through our Economic Development Partnership (quasi private/governmental organization). The Department of Aviation provides up to \$20,000 a year to airport for what we call "Air Service Enhancement and Development". It's a 1;1 matching grant to assist the airport in their quest to enhance or develop air service. The funds can also be used to attract Part 135 for GA airports, so everyone has an opportunity to enhance or develop air service. This was created two years ago because the Governor wanted my agency to work on air service initiatives across the state. It was set up with about \$190,000 a year from our special fund (fuel tax and aircraft sales and use tax which generates about \$4.5 million a year). So, obviously it's first come first serve. We are also conducting state-wide systemic air service studies.

Washington (Bill Brubaker)

No.

West Virginia (Susan Chernenko)

No, West Virginia does not.

Wisconsin (Bob Kunkel)

Wisconsin has no subsidy or aid programs for air service.

Wyoming (Dick Spaeth)

Wyoming does not subsidize intra or interstate air service. What we do is provide the following:

AIR SERVICE MARKETING GRANTS

Aeronautics Commission air service marketing grants to individual airports for local advertising/marketing and can include a presentation to new airline for competitive service if that's how they want to spend the funding. It is a 50/50 shared program between state and local sponsor and the maximum state amount is \$15,000. Most of the primary/comm. service airports in the state participate in this to some extent on a yearly basis. There is statutory language which allows up to 5 percent of the state airport improvement account to be granted for such activities. This amounts to a maximum of \$200,000 per biennium to be spent on such grants.

FLY LOCAL PROGRAM

Initially this was a \$300,000 program in which we hired a "statewide consultant" (AMRTC) to look at our air service situation and to suggest statewide activities we could undertake. They also looked at each air service airport and gave them advice/suggestions on what to do better. Five of our ten air service airports also participated in this program locally and they matched a \$15K grant from the Commission to do local marketing. This is really where many of them began their local

marketing programs. The culmination of this project was the "Governor's Conference on Air Service" which we conducted. The end result/conclusion? "Airlines are businesses, in the business to maximize profits for the share/stockholders and they are not in the business to be gratuitous to cities/state/the public. You, then must figure out some way to help yourself either within the system or outside of it." What we've done on a continuous basis since then (besides all the political things that are necessary...like go to multiple meetings/conferences/seminars/hearings, etc. and talk about how bad it is and what does anybody think can be done about it? We had two programs last year that were travel agent promotions. The first, called "Book and Eat" basically was a contest for them in which they would receive a \$15 gift certificate at a local participating restaurant (state paid \$10 and the restaurant donated \$5) if they booked 5 tickets from their local airport. We had them send in copies of each ticket, recorded the info and verified them as a local ticket and then would receive an invoice from the travel agency for however many certificates they were due. The second program was called "Book for Bucks" and was similar except we changed from restaurants to local Chambers of Commerce and upped the number of tickets sold to 7. In this situation, if a travel agent booked 7 tickets from the local airport, then they received a \$10 certificate from us which they could trade in at the Chamber for local Chamber bucks for use in the local community.

Have these been effective? Airport managers believe it has helped their enplanements but accomplishing a statistical analysis that exactly proves this would be very difficult. We believe it has helped either maintain what we have or improve the use of local air service. If nothing else, it has emphasized to travel agents the idea of suggesting and trying to book from the local airport as opposed to booking from the hub and having the individual drive there. We're going to continue the program and we're also thinking about hiring an agency to do "fare monitoring" for us. We might expand further on some of the statewide consultant's recommendations.